

**APPRAISAL REPORT**

Parking Lot  
44 Day Street  
Somerville, Massachusetts  
File # 09027-A

**PREPARED FOR**

Ms. Monica R. Lamboy, Executive Director  
Office of Strategic Planning & Community Development  
City of Somerville  
93 Highland Avenue  
Somerville, MA 02143

**DATE OF VALUATION**

May 15, 2009

**PREPARED BY**

Walter H. Pennell MAI, CRE  
Senior Vice President  
MA Certified General R.E. Appraiser #386  
Hunneman Appraisal and Consulting Company, Inc.  
303 Congress Street  
Boston, Massachusetts 02210



May 20, 2009

Ms. Monica R. Lamboy, Executive Director  
Office of Strategic Planning & Community Development  
City of Somerville  
93 Highland Avenue  
Somerville, MA 02143

Dear Ms. Lamboy:

Pursuant to your request, I have completed my appraisal of the 44 Day Street parking lot, a 23,923 sq. ft. parking site containing 61 parking spaces. Pursuant to the City of Somerville's RFP, this site was valued assuming the construction of a hotel. The purpose of this appraisal was to estimate the current market value of the fee simple interest in the property for hotel use. The report is intended for the use by the City of Somerville in conjunction with a public RFP (The Davis Square Hotel Project).

This summary appraisal report is based on my inspection of the appraised property and environs, analysis of relevant market data and on the appraiser's experience with similar valuation assignments. It describes the methods of valuation and presents data pertinent to the appraisal process. This appraisal is also predicated on a number of important Assumptions and Limiting Conditions which are outlined in the addenda, and a Summary of Important Facts and Conclusions is shown on Page 5.

16. The descriptive information in this report was based upon public records and my inspection. It was beyond the scope of this appraisal to retain an architect or an engineer to render drawings for a proposed hotel. Based upon the dimensional regulations in the CBD Zone, and subject to receiving a Special Permit, I estimated that the subject lot could accommodate a Limited Service Hotel consisting of a four-story building containing 100 rooms with an underground parking garage.
17. The appraiser was instructed to value the property based upon the dimensional regulations and the other land use controls that govern the development of properties located in the Central Business District. Hotels and motels in the CBD Zone require a Special Permit with Design Review if less than 10,000 sq. ft., and if over 10,000 sq. ft. require a Special Permit and a Site Plan Review. I assumed a Special Permit could be obtained from the City of Somerville for a 100-Room Limited Service Hotel as long as the hotel conforms to the dimensional requirements and the FAR limits in the CBD Zoning District.

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As a result of the facts and analyses contained in the attached report, it is my opinion that the market value of the Fee Simple Interest in the subject property for hotel development, as described herein as of May 15, 2009, was:

**\$900,000**

**(NINE HUNDRED THOUSAND DOLLARS)**

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Pennell', written in a cursive style.

Walter H. Pennell, MAI, CRE  
Senior Vice President  
Massachusetts Certified General  
Real Estate Appraiser, License #386



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Assumptions and Limiting Conditions  
Subject Property Photographs  
Hotel Land Sale Photographs  
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**I. INTRODUCTION**

**A. Certification**

I, the undersigned, do hereby certify that:

- I have inspected the subject property;
- To the best of my knowledge and belief, the statements of fact contained in this report, and/or retained in my files, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions;
- Employment in and compensation for making this appraisal are in no way contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan;
- I certify that I have no interest, either present or contemplated, in the subject property;
- I have no personal interest or bias with respect to the subject matter of the appraisal report or the parties involved in this assignment;
- Mr. William Zagata provided significant professional assistance to the person signing this report. Mr. Zagata collected and analyzed hotel land sales and verified hotel land sales with brokers and buyers.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, and this report has been prepared in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute and Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation;

# **HUNNEMAN**

**APPRAISAL & CONSULTING CO.**

As a result of the facts and analyses contained in the attached report, it is my opinion that the market value of the subject property, as described herein, as of May 15, 2009 was:

**\$900,000**

**(NINE HUNDRED THOUSAND DOLLARS)**

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. H. Pennell', written in a cursive style.

Walter H. Pennell, MAI, CRE  
Senior Vice President  
Massachusetts Certified General  
Real Estate Appraiser, License #386

- As of the date of this report, Walter H. Pennell, MAI, CRE has completed the requirements of the Continuing Education Program of the Appraisal Institute.

**B. Purpose, Function and Scope of Work**

The purpose of this appraisal is to estimate the current market value of the Fee Simple Interest in the subject parking lot for future hotel development. This information was requested by the City of Somerville for disposition purposes for hotel use. The subject site was acquired by the City of Somerville on December 9, 1955 in a land taking for "...the purpose of acquiring land for the development of off-street parking areas."<sup>1</sup> The Day Street parking lot is currently utilized as a neighborhood parking lot with 61 metered spaces.

The scope of work utilized in this appraisal included: a study of general market conditions; a review of parking supply and demand conditions in Somerville and surrounding areas; a review of hotel demand factors including current and projected occupancy and room rates, development costs and an evaluation of hotel land sales, zoning regulations and dimensional controls, property tax information, and highest and best use issues. Interviews were conducted with City officials, parking lot operators, hotel managers and owners, commercial lending officers, property managers, and commercial real estate brokers. An attempt was made to confirm comparable transactions reviewed with a principal or the brokers. Rate analysis was performed by a recent survey of investment criteria and the Mortgage Equity Technique. The Sales Comparison and Income Approaches were utilized, while the Cost Approach was not considered appropriate. The research, analysis, and resulting opinions have been reported in this summary narrative appraisal.

**C. Interest Appraised**

The property interest appraised herein includes the Fee Simple Interest in the 44 Day Street property, subject to the Assumptions and Limiting Conditions included in the addendum.

**D. Effective Date of Value**

The market value estimate contained herein is as of May 15, 2009. The report was prepared in April and May of 2009.

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<sup>1</sup> Order: Taking by Eminent Domain Land at Day Street and Herbert Street, In Board of Alderman, December 22, 1955.

**E. Definition of Market Value**

Market value is defined as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- The buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their own best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”<sup>2</sup>

**F. Marketing Time**

The appraised property is expected to sell within a marketing period of 12 months or less from the date of appraisal.

**G. Competency Provision**

The appraiser is competent to perform this appraisal by virtue of previous experience appraising numerous properties in the City of Somerville, as well as hotel land and improved hotel properties in Cambridge, and office and retail sites located throughout Eastern Massachusetts. Qualifications of the appraiser are included in the addendum to this report.

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<sup>2</sup>Final Rule of the Office of the Controller of the Currency (OCC), Aug. 24, 1990, Section 34.42 (f)

**H. Summary of Important Facts and Conclusions**

**Location:** 44 Day Street  
Somerville, Massachusetts

**Type of Property:** Municipal Parking Lot – 61 surface spaces in lot

**Interest Appraised:** Market Value of Fee Simple Interest

**Land Dimensions:**

*Area:* 23,923 sq. ft.

*Frontage:* 201.7 feet on Day Street  
132.85 feet on Herbert Street

*Depth:* 130 feet ± average

*Shape:* Nearly rectangular

**Improvements:** Paved asphalt surface, chain link fence 4± feet high on easterly and southerly perimeters, median strip in center of lot with two double lamp posts

**Date of Value:** May 15, 2009

**Indicated Values:**

Income Approach – Parking Use	\$835,000
Hotel Development	\$900,000
Commercial Use	\$955,000

<b>Final Market Value</b>	<b>\$900,000</b>
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## **II. DESCRIPTION, ANALYSIS AND CONCLUSIONS**

### **A. Market Overview**

As of the date of valuation, the U.S. economy was continuing its steady decline marked by broad based layoffs, declining consumer confidence, increasing bankruptcies and a bleak economic outlook expected to continue into 2010 and potentially longer. President Obama's \$800 billion emergency stimulus package passed with the intention of bolstering the economy by creating 3 to 4 million new jobs. This plan comes on the heels of the \$700 billion Bush bailout bill passed to facilitate the government acquisition of under-performing loans and real estate portfolios and to prop up banks by injecting \$250 billion into U.S. financial institutions, including nine of the nation's largest banks. A scaled back bailout of the U.S. Automotive Industry was also approved by the outgoing Bush Administration and may require additional capital infusions in the coming months as automakers have begun posturing for additional funds.

Credit markets have been tightening in nearly all markets for a year or more and may not ease significantly for some time. It is also likely that it will take months before the short-term debt market improves, which is a necessary step for banks to resume lending to corporations, small businesses, municipalities and individuals. A recovery in the credit market is the key determinate to values and the marketability of real estate. Struggling companies have experienced declining yields on their debt, and many firms and developers have been shut out of the debt market because of high borrowing costs or the lack of funds.

### **B. Regional Analysis**

The Fall Economic Outlook of The New England Economic Partnership, a consortium of regional economists, is summarized below:

"The forecast calls for growth across the region to remain below the national average through the remainder of the decade, with few exceptions. The outlook is for a weaker regional economy than that anticipated in the NEEP spring 2007 forecast, with the broadening effects of the national credit crisis and economic vulnerabilities extending from the housing market to other sectors of the economy cited as factors.

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Real gross product growth across the region is expected to average just 2.2 percent per year from 2006-2011 – lower than the 2.6 percent rate of annual growth forecast in spring 2007. NEEP anticipated the weakest quarters for the New England regional economy to be Q4 2007, and Q1 2008, with growth in gross regional product of 1.6 and 1.7 percent. The regional economy is then expected to experience a slow and modest recovery, with a peak of 3.4 percent in Q1 2009.”<sup>3</sup>

Since inception of the “Credit Crunch” and economic downturn that escalated in the fourth quarter of 2008, unemployment rates increased to approximately 8.2% nationally and slightly less locally. This reflects a substantial increase in unemployment from 4.8% in 2005 in Massachusetts and from 4.6% nationwide since June, 2007. Historically, the Massachusetts unemployment rate has been below the U.S. unemployment rate. However, the gap narrowed in recent months and high levels of unemployment in Massachusetts will continue throughout 2009 with some improvements expected in 2010 and 2011.

## Demographics

Population statistics listed below for the state as a whole indicate that the population has had a moderate increase in the last decade.

<u>Year</u>	<u>Population</u>	<u>Percent Change</u>	<u>Density Per Square Mile</u>
1960	4,690,514	--	598
1970	5,149,834	+10%	657
1980	5,689,170	+10%	726
1985	5,737,037	+1%	732
1988	5,750,101	less than 1%	734
1990	6,016,425	+4.63%	767
1994	6,041,000	+.4%	771
1995	6,073,550	+.54%	775
2000	6,349,097	+4.54%	810
2004	6,416,505	1.1%	818
2005	6,398,743	-0.3%	816
2006	6,437,193	1.06%	821

The Massachusetts Department of Employment and Training projects population growth in the state to be 0.3% to 0.4% per year until 2010, while U.S. population growth is expected to

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<sup>3</sup> *The Economic Outlook, Fall 2007.* The New England Economic Partnership.



be at least twice that. The 2000 census reveals that the U.S. population grew 13.1% for the past 10 years, or 1.31% per year versus the Massachusetts rate of approximately one-third of that.

### **Economic Outlook**

While the Massachusetts economy had been lagging behind the performance of the national economy, Massachusetts outpaced the national economy in 2006. The recent population decline of 2005 is reported to have stabilized and is predicted to grow in future years. Job growth in Massachusetts in the past year has centered in the areas of management, scientific and technical consulting services, and scientific research and development. Forecasters at the New England Economic Partnership Fall Conference noted that "Massachusetts is well-positioned to benefit from trends in globalization, and to retain its place at the high end of the economic spectrum in terms of technology, productivity, and income."

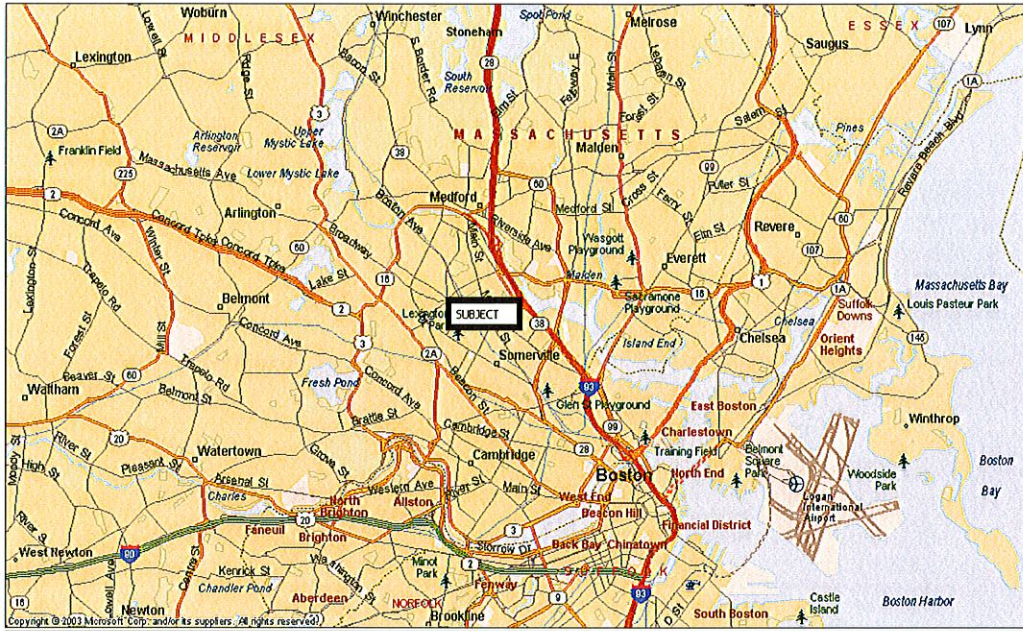
However, the higher costs of doing business in Massachusetts – higher labor costs, energy costs, taxes and office rents – hinders the economic competitiveness and attractiveness of the state as a place to locate new businesses. In a recent report, the Commonwealth Corporation noted that the recent low overall levels of job creation might be related in part to the higher costs of production in Massachusetts. However, another Commonwealth Corporation report, "Future Growth of the Massachusetts Labor Force," commented on a positive note that: "The economic competitiveness of Massachusetts is believed by many analysts to be primarily driven by the quality and innovativeness of its workers and entrepreneurs." <sup>4</sup>

The widely heralded problems in the subprime mortgage market have led to a decline in real estate transactions in the past several months. Indeed, vacancy rates for office space began to increase in October 2008 and in Boston office vacancies from 9.5% to 11.5% in a four month period. The sharp increase in vacancy rates was the direct result of the nationwide banking crisis and economic downturn and the inability to secure loans to pay fixed and variable operating costs including rent. *The Korpacz Real Estate Investor Survey: First Quarter 2009* reported that, in some instances, properties have been removed from the market due to lack of interest or the inability to reach desired pricing levels.

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<sup>4</sup> "Future Growth of the Massachusetts Labor Force." *Research and Evaluation Brief, The Commonwealth Corporation*. Volume 3, Issue 2 (November 2005).

**C. City Description and Real Estate Markets**



The subject property is situated in Somerville in the heart of the Metropolitan Boston area. Because of its proximity to the center of the urban and financial core of Boston, Somerville is influenced by the fortunes of the regional marketplace.

Somerville is an urban industrial city bordered by Arlington on the west, Medford on the north, Everett and Boston on the east, and Cambridge on the south. It is located along the divide between the lower Charles River and Mystic River watersheds. Public transportation access to Somerville is provided by the MBTA Red Line Subway at Davis Square (several blocks from the subject property). The MBTA also has a number of bus routes in Somerville. In addition, plans have been under consideration for several years to extend the MBTA Green Line Subway to Somerville and Medford. Station locations in Somerville are still being reviewed but it does appear that at least one station will be located in Union Square in addition to other locations including one sited not far from Tufts University. A new Orange Line MBTA station is also planned for Assembly Square. Highway access is provided by Interstate 93 which runs north-south along the eastern border of Somerville and Route 28 which runs in a northeasterly-southwesterly direction bisecting East Somerville.

Somerville was founded in 1842 and many of the new settlers were immigrants seeking jobs there. In the early 1850s Somerville was home to brickyards and a brass tubes foundry. As the century progressed, heavy industry, food processing and meat packing plants became the dominant industries. By the Second World War, Somerville's population had peaked at 105,833 when the population density was described as being "...greater than that of Calcutta." The residential development of Somerville was characterized by two-decker and three-decker wooden houses built to house the blue-collar workers in Somerville's industries.

In more recent years, significant planning and zoning efforts have been made to revitalize distinct Somerville neighborhoods with a focus on older industrial areas. Indeed, significant redevelopments and infrastructure improvements are planned for or occurring in Assembly Square, Inner Belt, Boynton Yards, and Union Square neighborhoods for office/biotechnology, retail, and residential uses.

The City of Somerville is composed of approximately 4.1± square miles, with an estimated population density of 18,284 persons per square mile, making it the most densely populated community in Massachusetts and in New England. According to the 2005 census figures, Somerville had a population of 74,964 residents.

Somerville has a relatively young population, 43% being between 20-39 years, perhaps attributable to the universities in the surrounding communities such as Harvard, MIT and Tufts. In addition, 29% of the residents are foreign-born and 36% speak a language other than English at home. According to the 2000 census demographics, 12.5% of individuals had incomes below poverty level, similar to the U.S. rate of 12.4%.

The City of Somerville describes the city as: "...an eclectic mix of blue-collar families, young professionals, college students and recent immigrants from countries as diverse as El Salvador, Haiti, and Brazil."

A significant portion of Somerville's housing is renter-occupied, 59% in contrast to the Massachusetts rate of 31% of renter-occupied dwellings. The median household income in Somerville was reportedly \$53,390, slightly below the state median household income of \$57,698.

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Information on Somerville's private industry indicates that employers are now primarily concentrated in the services sector. Primary employers in Somerville are in the following categories by number employed: Professional and Technical Services; Retail Trade; Accommodation and Food Services; Health Care and Social Assistance; Other Services; and Construction.

## **Office Market**

The Class A & B office market in Somerville is relatively small consisting of only 66 buildings and 1.63 million sq. ft. of office space. The current vacancy rate is 8.8% which represents a 2.6% decline from the 1<sup>st</sup> Quarter of 2008. Average office rents in Somerville are reported to be \$22.00 per sq. ft., according to CoStar Research Report. The decline in office vacancies in Somerville is counter to increased office vacancies in Downtown Boston and throughout the Route 128 office market. The decline in vacancy rates in Somerville, however, reflects the absorption and lease up of several office buildings over the past year rather than improvement in the office market as a whole.

## **Retail Market**

Retail vacancies nationwide increased from 2.9% in early 2008 to 4.4% today and reflect the decline in consumer spending and the impact of the economic downturn on retail sales. Therefore, the retail market, like the hotel market, experienced a correction that will continue throughout 2009 and 2010.

## **Hotel Market**

The Pinnacle Advisory Group, a hospitality and consulting organization, prepared an analysis of the lodging supply and demand and strategic planning recommendations for the City for Somerville in November 2006. This study, included in my files, reviewed the demand factors for a new hotel in Davis Square including the financial service, high technology, health care, education, convention/tourist business, area demographics and employment, transportation, major developments in the area and other factors that impact the demand for hotel rooms. The

City of Somerville also prepared a request for qualifications for the Davis Square Hotel Development and a hotel project summary.

The Pinnacle report identified competing supply consisting of 5 hotels located in Medford, Arlington and Somerville. The Pinnacle survey concluded that there is a potential for new hotel development in the Davis Square neighborhood. Pinnacle believed that there is a solid business from Tufts University due to its close proximity to the Tufts campus. Davis Square also has a competitive advantage due to its location within walking distance to the MBTA Red Line.

Pinnacle proposed the creation of 100 to 125 rooms in Davis Square. The minimum lot size must be 23,000 sq. ft. with a garage or a minimum lot size of 33,000 sq. ft. of land with appropriate surface parking. At that time, (2006) Pinnacle believed that the subject market would “stabilize” at a market occupancy rate in the mid 60’s. They believed that the proposed hotel would be able to achieve occupancy in the high 60’s or low 70’s at that time.

Pinnacle concluded that as of 2006, there was a sufficient demand to reasonably support one new hotel in Davis Square. They believed that a new hotel within Davis Square would accommodate a solid base of business from Tufts University due to its close proximity to the undergraduate Somerville/Medford campus. Furthermore, they concluded that Davis Square would benefit from a district competitive advantage due to the MBTA Red Line. They recommended the creation of a 100 to 125 room hotel with a parking ratio of .5 spaces per room.

**D. Neighborhood Analysis**

44 Day Street is located on the southeasterly corner of the intersection of Day and Herbert Streets. Both roads are one-way streets. Just one block from the subject, Day Street ends at Elm Street, a busy thoroughfare which runs through Davis Square. Davis Square is a significant retail, restaurant, and entertainment center of Somerville. Typically, there are offices on the upper stories of the buildings with retail on the ground floor and small to medium-size office buildings in the Davis Square neighborhood.

To the immediate south of the subject on Day Street are several four-story brick apartment buildings and single family residences built in the early 20<sup>th</sup> Century. Across Herbert Street from the subject is a 1920 four-story brick office building with a U.S. Postal Service store

on the ground floor. On the northerly side of Day Street immediately across from the subject area are a private parking lot of 23,000 sq. ft. reserved for the tenants of the office building and others, a small automotive service shop, and a one-story billiards and bowling alley.

As Day Street proceeds in a westerly direction away from Elm Street, the neighborhood becomes residential with older single-family, double-decker and triple-decker residences. Herbert Street runs for only one block in a northerly-southerly direction and is improved with older single-family residences on the westerly side. The easterly side which abuts the rear of buildings on Elm Street includes the brick office building with the U.S. Postal Service on the ground floor, a public walkway to Davis Square past a two-story retail/office building, and a private parking lot reserved for tenants of a nearby office building.

Major economic activity in the neighborhood is generated by the retail, entertainment and offices located in the Davis Square area. A hotel market demand study prepared by the Pinnacle Advisory Group in 2007 describes Davis Square as follows:

“Its location proximate to nearby Tufts University, Porter Square, Harvard University as well as its convenient access to the MBTA Red Line subway station has created demand for office and retail space, and has developed Davis Square into a popular destination for restaurants and entertainment.

Davis Square is a thriving community that benefited significantly from a mass transit-oriented revitalization. ....the completion of the Davis subway stop in 1984, as well as significant aid from the City of Somerville, has transformed the area into a regional destination for restaurants and entertainment and has attracted demand for residential housing in the outskirts of the square.

The area has not quite become a major hub of commercial office activity; however, there are many small software, architecture, marketing, and design firms that occupy small office spaces in and around Davis Square.”<sup>5</sup>

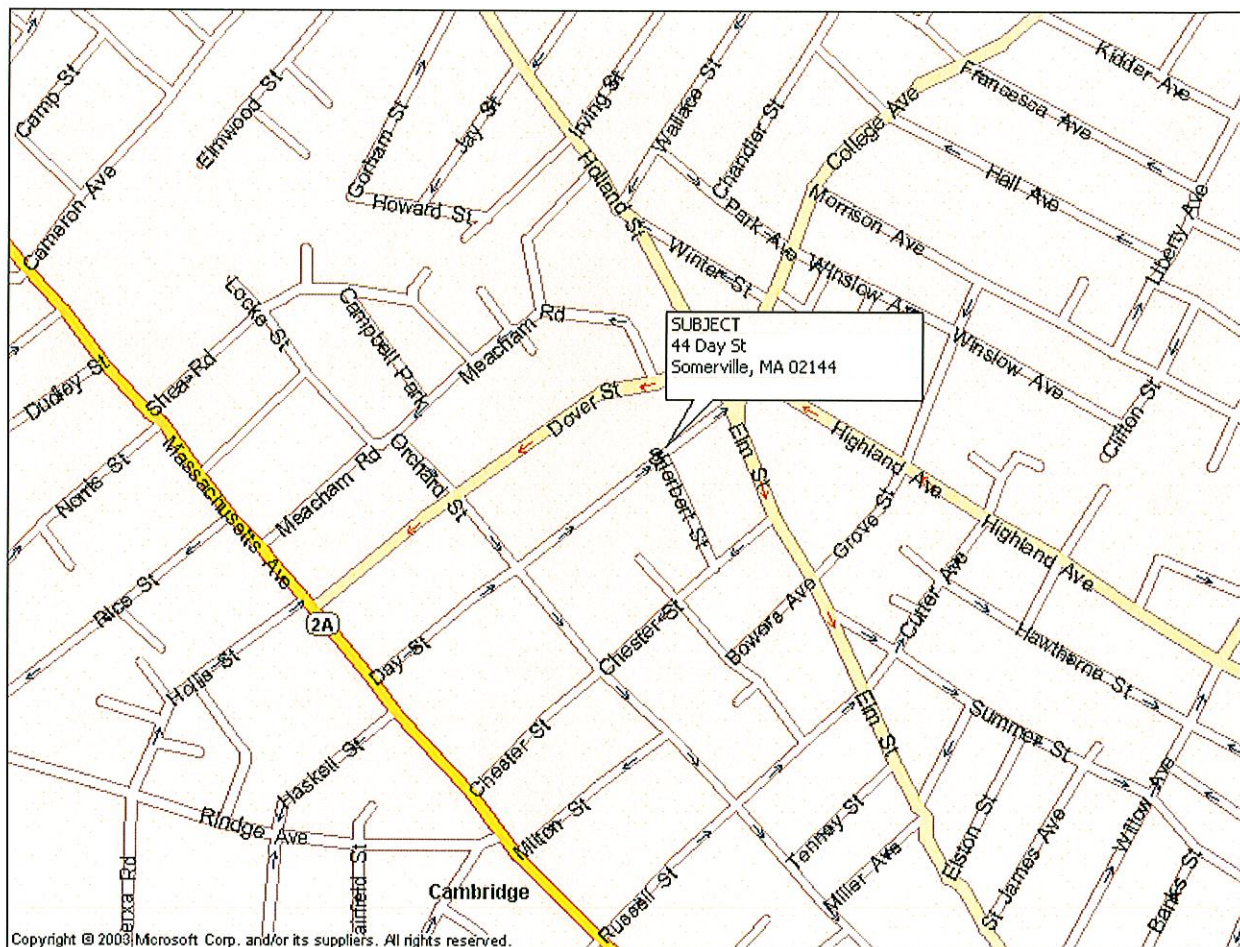
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<sup>5</sup> Page 21, *Analysis of Lodging Supply and Demand and Strategic Planning Recommendation: Somerville, Massachusetts*, The Pinnacle Advisory Group, February 2007.



**Conclusion**

The neighborhood is characterized by a mix of retail, entertainment, office and housing. Somerville City officials described weekends and nights in the Davis Square neighborhood as “thriving” and “vibrant.” The mix of commercial uses and the fact that Davis Square is perceived as a destination location combine to create a demand for parking. Owners of private parking lots surveyed in the immediate area all indicated that all spaces are utilized and that there were waiting lists for parking. Various Somerville City officials also noted that Davis Square has a large demand for parking for local businesses.



**NEIGHBORHOOD MAP OF SUBJECT**

**E. Property Description**

**Site Description**

The property is located in a developed commercial, retail and residential area of Somerville. All local streets are paved and have municipal lighting. The characteristics of the subject property are as follows:

<b>Size:</b>	The site consists of a total land area of 23,923± square feet.
<b>Frontage:</b>	The subject has 201.7 feet of frontage on Day Street, and 132.85 feet of frontage on Herbert Street.
<b>Shape:</b>	The parcel is a rectangular shape.
<b>Improvements:</b>	The site is paved with asphalt in fair to good condition. A concrete median strip with two double wooden lamp poles is located in the center of the site running in a westerly-easterly direction. There are 61 parking spaces and parking meters.
<b>Flood Plain:</b>	The subject site is located in Flood Plain Zone C. Zone C is an area determined to be outside the 100-year floodplains.
<b>Street Access:</b>	Access to the subject site is from Herbert Street and Day Street via driveway entrances.
<b>Easements:</b>	There are no known easements that negatively or positively influence the subject.
<b>Environmental Issues and Soil Conditions:</b>	The site is appraised assuming it is clean of all hazardous waste. The subsoil is assumed to be stable.
<b>Comments:</b>	Access and public services are adequate and similar to those found elsewhere within the directly competitive market.





LOOKING AT SUBJECT PROPERTY IN SOUTHEASTERLY DIRECTION



VIEW OF ENTRANCE TO SUBJECT PROPERTY FROM HERBERT STREET





VIEW OF WESTERLY PERIMETER OF SUBJECT ALONG DAY STREET



VIEW OF SUBJECT LOOKING IN SOUTHEASTERLY DIRECTION





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## **F.     Assessment and Tax Data**

The City of Somerville has assessed the property at 44 Day Street for Fiscal Year 2009 as follows:

### **44 Day Street**

Parcel Number:	22D1
Land Area:	23,923 sq. ft.
Assessed Land Value:	\$1,433,900
Assessed Building Value:	<u>\$ 40,000</u> (Paving, Fence)
<b>Total Assessed Value:</b>	<b>\$1,473,900</b>
Fiscal Year 2009 Taxes:	-0-     (Tax exempt, owned by City of Somerville)
FY 2009 Commercial Tax Rate:	\$19.27 per \$1,000 or assessment

**G. Zoning and Other Land Use Controls**

The subject property on Day Street is situated in the Central Business District (CBD) as designated in the Somerville Zoning Ordinance, amended through June 2007. In addition, Changes to Table of Permitted Uses, Adopted March 18, 2008 applies to the following discussion of zoning.

Structured parking or open lots for parking where parking spaces are not accessory to a principal use on the same lot require a Special Permit with Site Plan Review. This applies to sites both under 5,000 SF and over 5,000 SF. Thus, the current use of the subject property is a non-conforming use. The parking use could, however, be continued if the subject property were sold, unless the use was discontinued for two years.

Pertinent uses in the CBD include: 1-, 2- and 3-family residential units; community or group residence; institutional uses including schools, libraries, hospitals, nursing homes with less than 10, 000 SF; recreational uses including public parks and health clubs with under 10,000 SF; general office and medical office uses under 5,000 SF; numerous retail uses under 5,000 SF; restaurants, other than fast foods, under 4,999 SF; and bars/taverns under 2,500 SF. Uses in excess of the above cited maximum sizes may be allowed by Special Permit (SP) without Site Plan Review or by Special Permit with Site Plan Review (SPSR).

While residential units are permitted as-of-right in the CBD, only one 3-family residential structure is permitted as-of-right under current zoning. If the subject parcel were to be subdivided to build multiple three-family residential structures, Site Plan Approval (SPA) would be required from the Planning Board.

Hotels and motels under current zoning requires a Special Permit with Design Review if less than 10,000 SF, and if over 10,000 SF requires a Special Permit with Site Plan Review. I assumed the construction of a 100 room Limited Service Hotel would be approved by the City of Somerville. However, the new hotel must conform to the dimensional requirements and FAR restrictions in the CBD Zoning District.

Almost all industrial uses, such as machine shops, distribution centers, shop and storage facilities for tradesmen, fuel oil dealer, and manufacturing, are prohibited. There are, however, a

few industrial uses that require a Special Permit or a Special Permit with Design Review such as office and storage facilities for a construction company or a research laboratory engaged in research and experimental activities.

The dimensional and density requirements that would regulate any future development of the subject property are as follows:

**Central Business District – Dimensional Regulations**

Minimum Lot Area:	None
Minimum Lot Area/Dwelling Unit:	
1-9 Units:	875 sq. ft.
10 or More Units:	1,000 sq. ft.
Maximum Ground Coverage (%):	80
Landscaped Area, Min. % of Lot:	10
Floor Area Ratio (F.A.R.):	2.0
Maximum Height:	
Number of Stories:	4
Feet:	50
Minimum Front Yard:	None
Minimum Side Yards:	None
Minimum Rear Yards:	10 feet, plus 2 feet for each story above ground floor
Minimum Frontage:	None
Development of 8 or More Dwelling Units:	12.5% of Total Units – Affordable Units

The subject parking lot is a pre-existing use that requires a Special Permit and Site Plan Review. Parking requirements vary according to the use of the improvements. Parking requirements include: residential – 1.5 spaces per unit with 1 or 2 bedrooms; office other than medical – 1/575 SF; medical – 1/500 SF; retail sales – 1/500 SF; hotel, motel – 0.5 per employee on peak shift plus 0.8 per guest room, plus .25 normal requirement for any other use within the hotel.

### **Hotel Development**

Pinnacle Advisory Group suggested in their 2006 study that the construction of a Limited Service Hotel containing 100 to 125 rooms is physically possible at the subject property. The lot contains 23,923 sq. ft. of land area and zoning allows an FAR of 2 or up to 47,846 sq. ft. of gross building area. Assuming the construction of a four-story building, the building footprint would be 11,961 sq. ft. or 50% of the total lot area. This should leave sufficient open space (10%) and rear yard setback (16 feet) for a 4-story hotel.

Based upon a review of hotel room space ratios, the average room size including common areas range from 400 to 500 sq. ft. and I estimated that the subject hotel would contain 100 rooms with an average size of 478 sq. ft. per room including common areas. A Limited Service Hotel would contain small meeting rooms and less common area than a full service hotel with large ballrooms and function halls.

Therefore, the dimensional regulations in the CBD Zone allow the construction of a four-story hotel with underground parking containing 100 rooms, subject to receiving a Special Permit and a Site Plan Review.

**H. Highest and Best Use Analysis**

The highest and best use of real estate is the fundamental premise upon which the estimate of market value is based. Highest and Best Use is defined as: "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."<sup>6</sup>

**Legally Permissible**

Legally permissible uses by right include retail, general office, medical office, restaurant other than fast food, all under 5,000 SF; and bars/taverns under 2,500 SF. Also permitted are 1-, 2- and 3-family residential units (Section 7.11 Table of Permitted Uses, Somerville Zoning Ordinance). A Senior Planner in the City of Somerville Planning and Zoning Department noted that by right development of the subject property is limited to the above, and that any subdivision of lots for additional development would require Site Plan Approval and Special Permit with Site Plan Review. The construction of a four-story hotel with a garage is allowed subject to receiving a Special Permit and a Site Plan Review.

**Physically Possible**

Pinnacle Advisory Group suggested in their 2006 study that the construction of a Limited Service Hotel containing 100 to 125 rooms is physically possible at the subject property. The lot contains 23,923 sq. ft. and the zoning allows an FAR of 2 or up to 47,846 sq. ft. of gross building area. Assuming the construction of a four-story building, the building footprint would contain 11,961 sq. ft. or 50% of the site. This leaves sufficient open space land (10%) and a sufficient rear yard setback of 16 feet for the four-story building.

Based upon a review of hotels, the average room size including common area range from 400 to 500 sq. ft., and I estimated that the subject hotel would contain 100 rooms or an average size of 478 sq. ft. per room including common area. A Limited Service Hotel would contain small meeting rooms and less common area versus a full service hotel with large ballrooms and

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<sup>6</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, p. 135.



function halls. Therefore, the dimensional regulations in the CBD Zone allow the construction of a four-story hotel with an underground parking garage containing 100 rooms subject to receiving a Special Permit from the City of Somerville.

**Financially Feasible and Maximum Profitability:**

The City of Somerville's public RFP requests bids to construct a hotel in Davis Square. Development of the 44 Day Street lot with a 1000-room hotel requires the construction of a lower level garage. Hotel developers attempt to create on-site parking and this lot is too small to accommodate sufficient surface parking. Therefore, a hotel developer would create a garage to accommodate a Limited Service hotel at this property.

Based on a review of Pinnacles study, I concluded that the construction of a Limited Service Hotel with 100 rooms would be the highest and best use of the property when occupancy/room rates increase to justify the construction costs. As instructed by my client, development must conform to the dimensional regulations governing the development of land in the Central Business District. I considered possible uses of the site including office, retail and hotel development. Regarding office use, office rents are too low to justify the cost of a new office building. Moreover, banks are not financing new office buildings without substantial pre-lease commitments. For these reasons, the construction of an office building was not feasible as of the date of appraisal.

Similarly, the retail market is not conducive to new development. Consumer spending has declined and, with the exception of a CVS or a Walgreens store, new retail development is not feasible as of the date of appraisal. The parcel is too small to accommodate a CVS or Walgreens store who require a minimum lot size of 35,000 sq. ft. Finally, hotel development was considered a potential future use of the property.

**I. Valuation Methodology**

Recognized real estate appraisal practice ordinarily requires considering the use of three basic approaches to value. These approaches, commonly referred to as the Cost Approach (land value added to the estimated reproduction cost new of the improvements less depreciation from all causes), the Income Capitalization Approach (analysis of stabilized net income and expenses and capitalization of the stabilized net income), and the Sales Comparison Approach (comparative analysis of the subject with other similar properties which have recently sold and for which the sales prices and terms are known), provide the basis for arriving at a final estimate of value.

The Income Capitalization Approach and the Sales Comparison Approach were deemed to be appropriate and were employed to value the subject property. The Sales Comparison Approach was used to estimate a current land value for future hotel development. Commercial land sales were also reviewed to estimate a value for commercial uses. The Income Approach was used to estimate a current value for the existing parking lot.

**J. Income Capitalization Approach (Current Use Value)**

The Income Approach is often considered the investor's approach to value. The first step in the Income Approach is to estimate the gross potential income that the subject would generate. This estimate also serves to indicate the *market rent* that the subject property could generate. The second step is to estimate the appropriate expenses which would be incurred by the owner for the operations of the property. These operating expenses are then subtracted from gross income to arrive at a net operating income. The final step is the capitalization process, whereby the net income is capitalized into an indicated value utilizing an appropriate capitalization rate.

**Potential Gross Parking Revenue**

Mr. James Kotzuba, Director of the Somerville Traffic and Parking Department, indicated that the subject property parking lot operation (Monday–Saturday, 8:00 A.M. – 8:00 P.M., \$0.50/hour per meter with 3 hour maximum limit) generates an estimated \$100,000 per year. At the current time, the business spaces are leased for \$80 per month; however, this rate will increase to \$100 per month and a private owner would maximize parking income by charging neighborhood business people and residents higher monthly parking rates.

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The City of Somerville plan to increase the metered parking rates from \$0.50 per hour to \$1.00 per hour and the evening parking hours will be extended. For example, use of the metered spaces will extend from 8:00 P.M. to 10:00 P.M. during the weekdays at \$1.00 per hour subject to city approval. Additionally, business parking, that ends at 5:00 P.M., will be extended from 5:00 P.M. to 10:00 P.M. during the weekdays and there are plans to charge for Saturday parking as well.

At the current time, the metered spaces generate annual revenues of \$1,300 per space. This will increase when the \$1.00 hourly rate is enacted, the evening parking hours are extended and Saturday parking rates go into effect. Finally, the monthly charge will increase from \$80 to \$100 per space. Although the monthly rate of \$100 is less than what private lot owners charge, the city receives additional revenues through parking tickets.

At one time the city charged \$1.00 per hour per meter; however, the parking income did not double due to careful monitoring by parking users. The actual revenue gain from \$0.50 to \$1.00 per sq. ft. was closer to +50% of current parking revenues. This would increase the current metered revenue rates from \$1,300 per year to approximately \$2,000 per year or to \$122,000 for the 61 parking spaces at this lot. Adding Saturday and extending evening parking, the total parking revenues should increase to \$125,000 per year which equates to \$170 per month.

To validate the monthly charge of \$170, I considered monthly parking rates in Somerville and Cambridge. Only three comparable facilities were found in Somerville. Thus, my search was extended in the neighboring City of Cambridge excluding the Harvard Square area.

Six of the eleven locations surveyed are surface lots similar to the subject and five are garages. Current rates at the surface lots range from \$100 to \$240 per month. The garage spaces rent for monthly fees ranging from \$150 to \$235. The low end is \$100 per month at the VFW Post lot on Summer Street at the edge of Davis Square. The rates are low and the lot may only be used during the day. The VFW membership uses the lot in the evenings for meetings and social events. There is a reported long waiting list for the spaces. In addition, a nearby abutter has indicated interest for years to buy this lot for parking, but the members have indicated no interest in selling.

The upper end of the range is a private 67 space parking lot located at 55 Day Street in Somerville. The owner reports that he had been charging \$150 until quite recently when he increased the rate to \$240 per month. It appears that this high rate may be due to a monopoly in the area which would end if the subject lots were privatized. Conversely, the lower parking rates in East Cambridge and in Cambridgeport of \$150 per month are less than the subject lot could generate. The East Cambridge surface lots are located in built up single- and multi-family neighborhoods outside of inner city or urban centers like Davis Square. For these reasons, the subject parking rates should be higher monthly rates versus Parking Comparables 4, 5 and 6.

A parking lot survey showing current monthly parking rates is shown on the next page.

**Parking Rental Survey (2009)**

<b><u>Number</u></b>	<b><u>Location</u></b>	<b><u>Size/Type</u></b>	<b><u>Monthly Rate</u></b>
1.	Veterans of Foreign Wars 371 Summer Street, Somerville	75 Spaces Surface	\$100
2.	212 Elm Street, Somerville	75 Spaces Garage	\$175-\$200
3.	55 Day Street, Somerville	67 Spaces Surface	\$240 (recently increased from \$150)
4.	245-255 Bent Street, East Cambridge	60 Spaces Surface	\$150 For off site employees
5.	40 Charles Street, East Cambridge	40 Spaces Surface	\$150 For off site employees
6.	233 3 <sup>rd</sup> Street, East Cambridge	15 Spaces Surface	\$150 For off site employees
7.	438 Green Street, Central Square, Cambridge	106 Spaces Surface	\$170
8.	47 Erie Street, Cambridge	470 Spaces Garage	\$225
9.	Cambridge Galleria, 100 CambridgeSide Place, Cambridge	2,500 Spaces Garage	\$185
10.	Kendall Square, 350 Kendall Street, East Cambridge	2,000 Spaces Garage	\$235
11.	1 <sup>st</sup> Street Municipal Garage, 11 Spring Street, East Cambridge	1,110 Spaces Garage	\$180 M-Friday \$200 M-Sunday

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Based on this parking survey, discussions with City officials and the expected increase in the metered and monthly parking rates, the average monthly parking rate at the subject lot should be \$170 per space. Applying this monthly rate to 61 spaces indicated potential gross parking revenue of \$124,440 per year.

## **Vacancy and Collection Loss**

Parking is very tight in Davis Square, both on-street and off-street. A major percentage of the off-street parking is owned or leased by the City of Somerville. The City lots, including the subject property, are metered from 8:00 A.M. to 8:00 P.M. on Monday through Saturday with a 3-hour limit that will be extended. The two existing monthly parking rental lots at 55 Day Street and the VFW Post have no monthly parking spaces available. Indeed, the VFW Post reported that there was a long waiting list for parking at the lot.

Discussions with property owners, employers, tenants, as well as personal observation on numerous occasions, indicate a strong demand and a short supply or no supply for monthly or daily parking spaces. I estimated a vacancy and collection loss of 5% of the potential gross income.

## **Estimate of Operating Expenses**

Actual operating expenses for the subject property were not available from the City of Somerville and were estimated by the appraiser based on prior parking lot appraisals and discussions with parking lot owners and managers.

Parking lot expenses include a management fee, real estate taxes, liability insurance, payroll expense, license fee, snowplowing, maintenance and repairs, and miscellaneous expenses.

In estimating these expenses I interviewed City officials, parking lot managers and owners, insurance agents and other real estate appraisers. I examined data from industry associations, relevant publications, and reviewed data from previous appraisal reports. The Parking Lot expenses were estimated as follows:

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Management Fee: A typical charge for management fees for parking lots of this size would be 6% of the effective gross income after subtracting vacancy and collection losses.

Real Estate Taxes: I have been instructed to consider allowed uses pursuant to the dimensional requirements in the CBD Zone. Therefore, I included the current commercial real estate tax rate of \$19.25 (1.925%) in the capitalization rate to account for an equitable real estate tax.

Insurance Premiums: Liability insurance premiums are typically based on a formula involving potential gross revenues and the number of spaces. This expense is estimated to be \$5,000, based on premiums obtained from a parking lot operator.

Employee Payroll: This assumes a full-time employee of the management company or the owner will devote a few hours a day to checking that only monthly parkers are using the lot. Occasionally, there might be a need to call a towing company to tow non-monthly parkers occupying spaces. Actual wages of \$9 per hour plus payroll taxes and benefits would result in a total cost of \$15 per hour. Four hours per day, six days a week times 52 weeks equals a cost of \$19,000.

License Fees: License fees are collected by the City at \$10 per space or \$610 for the subject property per year.

Snowplowing: Snowplowing will vary widely from year to year. I consulted a snowplowing/landscaping firm, the town engineer and reviewed actual expenses from Hunneman Management who manage a 50,000 sq. ft. private parking lot. Based on this information, the annual snowplowing expense was stabilized at \$7,000 per year.

Maintenance and Repairs: Striping every three years with thermoplastic stripes is estimated to cost \$750 or \$300 per year; sweeping twice a year is estimated to be \$600; annual asphalt repairs is estimated at \$0.60 per square yard or \$1,600; reserve for repaving every 15-20 years is estimated to be \$6.50 per square yard or \$17,000, an average of \$1,000 per year; and other items including storm water management, lighting, and signage is \$500 per year. Therefore, the total repair and maintenance costs were estimated at \$4,000.

Miscellaneous Expenses: These expenses were estimated at \$1,000 per year.

**Capitalization Rate**

An Overall Capitalization Rate represents the relation of one year's income to market value. The Overall Capitalization Rate accounts for all factors affecting the owner/investor's motivation and decisions concerning the income stream and the potential sale of the property.

The *Korpacz Real Estate Investor Survey* polls investors, pension funds, and advisors as to prevailing discount rates. The *Korpacz Real Investor Survey* had the following survey results for overall capitalization rates for non-institutional grade properties in Boston for the 1<sup>st</sup> Quarter of 2009. It should be noted that these rates are for office properties.

**Capitalization Rates**

Key Indicators	Overall Cap Rate
Range	5.75 %– 10.25%
Average	7.69%

Another technique used to derive a capitalization rate is known as the *Mortgage Equity Technique or Band of Investment*. This technique considers the elements of investments (debt and equity) which are combined to derive a weighted average rate for the investment. I reviewed lending criteria and financing that would be available for the subject assuming the property was purchased as a parking lot. Discussions were held with two local bankers. One banker is located in the subject's neighborhood and was extremely conversant with the local area and active in the local lending market.

Based on my discussions, the lending criteria under current conditions are as follows:



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Loan to Value Ratio:	65%
Interest Rates:	6.5%
Amortization Period:	25 Years
Appreciation:	3% per year
Holding Period:	10 years

Based on information in my files and considering current interest rates, I concluded that a realistic capitalization rate for the current parking lot use is 7%. The 7% capitalization rate is prior to adding the real estate tax factor and was developed using the *Mortgage Equity Technique*.

This technique included a 65% loan-to-value ratio at a current interest rate of 6.5%. I estimated a 10-year holding period and an equity yield rate or IRR of 12% and a property appreciation of 3% per year or 30% over 10 years. This analysis indicates an overall capitalization rate of 6.92% rounded to 7%. I added the commercial tax factor of \$19.25 per \$1,000 of assessment or 1.925%. Therefore, the total capitalization rate is 8.925%.

On the following page is a *Stabilized Operating Statement* for the subject property incorporating all of the figures discussed above and estimating an income for the subject property which has been capitalized into an estimated value for the subject property as a parking lot. This analysis indicated a current use value of \$835,000.

<b><u>Reconstructed Income and Expenses</u></b>			
<b><u>Income Approach</u></b>			
44 Day Street Parking Lot Somerville, MA			
<b>Gross Potential Income</b>			\$124,440
\$170/month x 12 months x 61 spaces			
Less: Vacancy and Collection Loss	5.00%		<u>\$6,222</u>
<b>Effective Gross Income</b>			\$118,218
<b>Less Expenses:</b>			
Management Fee	6.00%		\$7,093
	Tax Factor		
	Included in		
	the		
	Capitalization		
	Rate		
Real Estate Taxes			
Insurance			\$5,000
Payroll			\$19,000
License Fees			\$610
Snow Plowing			\$7,000
Maintenance and Repairs and Reserve Replacement			\$4,000
Miscellaneous			<u>\$1,000</u>
<b>Total Expenses:</b>	(\$716 per space)		<b>\$43,703</b>
<b>Net Income</b>			\$74,515
Capitalization Rate	7.000%		
Tax			
Rate	<u>1.925%</u>		
Total Rate	8.925%		
	Indicated Value		\$834,901
	Rounded Value		\$835,000
	<b>Final Value =</b>		<b>\$835,000</b>

**K. Sales Comparison Approach (Hotel Land Value Assuming a 100-Room Hotel)**

The Sales Comparison Approach is a valuation method based upon a comparative analysis of the subject property with similar properties which have recently sold and for which the sales prices and terms are known. Appropriate value adjustments are made to the most comparable sales to compensate for differences in location and physical characteristics, as well as market conditions at the time of sale, property interest acquired, or special conditions affecting the sale.

The adjustments are made individually, and then all of the adjustments believed necessary to compensate for the differences between the sale property and the subject are combined into an overall adjustment factor. This factor is then applied to the sale price unit of comparison to arrive at an indicated value for the subject property.

As a final step, the indicated values are weighed according to the sold property's degree of comparability to the subject, thereby arriving at an indication of value by the Sales Comparison Approach. In this case the unit of comparison is the sale price / number of hotel rooms.

I reviewed 38 land sales purchased for hotel development that occurred between 1997 and 2005 throughout the Greater Boston Area. The majority of land sales occurred between 1997 and 2000 at the inception of the high tech boom. After the dot.Com Crash, hotel land values declined and very few land sales have occurred in recent years. Indeed, only 4 hotel land sales occurred after 2003 in the Greater Boston Area when several hotels were constructed within established office parks that provided immediate business travel revenue.

Because the hotel market is negatively impacted by the recession, prior hotel land sales acquired during the height of the last market cycle were discounted to reflect current market conditions. Therefore, I reviewed hotel land sales that occurred during good economic times and time adjusted the land prices downward to the date of appraisal.

Based on my research, I narrowed the search to 8 land sales. To assist the readers, a tabular summary of hotel land sales is shown on the following page along with a sales adjustment grid. The prices paid for hotel sites ranged from \$8,456 to \$17,683 per hotel room prior to

**Hotel Land Sales  
44 Day Street  
Somerville**

No.	Property Address	Grantor/Grantee	Land Area Ac/Sq. ft.	# of Rooms	Sale Date	Sale Price	Price per Room	Time Adj. Room (#/09)	Property Name
1	112 Donald Lynch Marlborough	BGI Holdings III LLC/ Marlborough Lodging Part.	4 174,420	112	05/09/2005	\$1,213,220	\$10,832	\$9,749	Triangular site located between Donald Lynch Boulevard and Rte. 495 and 290; level site developed with 82,602 sf Marriott Hotel; frontage on Donald Lynch Blvd and Rte 495
2	700 Unicorn Park Dr Woburn	Acquipoit Unicorn, Inc./ GSH Lodging	3.93 171,103	186	02/14/2001	\$3,000,000	\$16,129	\$13,710	Irregular shaped sloping site in an established business park purchased for development with a Marriott Courtyard Hotel. The site is situated at the top of a steep hill with sloping topography requiring substantially grading and a multi-tiered parking lot. The hillside location also offers panoramic tree top views of surrounding neighborhoods.
3	43 Newbury St Peabody	DB Surf, Inc./ SS Brannen	6.26 272,798	164	03/14/2000	\$2,900,000	\$17,683	\$15,030	Irregular shaped parcel with frontage along northbound lane of Rt. 1; purchased for development with a 98,734 sq. ft. Spring Hill Suites; adjacent to Homewood Suites hotel development;
4	215 Wood Rd Braintree	Candlewood Atlanta of Ga Llc/ Braintree Great Lakes Hotel, LLC	1.91 83,380	103	11/16/1999	\$1,200,000	\$11,650	\$9,903	Level, rectangular parcel with limited frontage on Wood Street; located off Granite Street; uses in neighborhood include light industrial and manufacturing; site is adjacent to two hotel developments; property improved with a 103-room Hampton Inn
5	19 Massachusetts Ave Arlington	Robert Burnson/ Burkhard Hotel Partners	1.19 52,010	100	11/03/1999	\$950,000	\$9,500	\$8,075	Generally rectangular level lot purchased for development with a Hawthorne Suites hotel; site was improved with two freestanding structures razed by buyer; site located near intersection of Massachusetts Ave. and Rte. 16; some environmental conditions; extensive permitting process
6	203-211 Everett Ave Chelsea	Chelsea Economic Development Board/ Maple Hotel Company	2.02 87,844	180	07/15/1999	\$1,200,000 \$322,000 \$1,522,000	\$8,456	\$7,187	Frontage on Everett Avenue and Maple Street; freestanding two-story masonry building was demolished and site was redeveloped with a 180 room, 103,500 sf hotel; located on a heavily traveled connector road developed with a mixture of automotive, retail and office properties
7	85 American Legion Hwy Revere	175 Amlegion Revere Realty/ Bell Circle Associates	2.87 124,838	208	04/27/1999	\$1,900,000	\$9,135	\$7,764	Vacant site purchased for development of a 200 unit hotel adjacent to a large warehouse; heavily travelled 4-lane divided road in mixed retail, commercial, and residential area; approximately 1/4 mile east of Bell Circle;
8	130 Middlesex Pike Burlington	NNW Limited Liability Co/ Candlewood Boston, MA-Burlingt	3.49 152,024	149	03/23/1999	\$2,000,000	\$13,423	\$11,409	Rectangular lot purchased for development with a 76,544 sf Candlewood Hotel; proximate to the Burlington Mall; site was unfinished at time of sale and additional site work due to ledge

Land Sales Adjustment		1	2	3	4	5	6	7	8
Chart	Subject Land								
	44 Day St.	112 Donald Lynch	700 Unicorn Park	43 Newbury St	215 Wood Rd	19 Massachusetts	203-211 Everett Ave	85 American Legion	120 Middlesex Trp.
	Somerville	Marlborough	Woburn	Peabody	Braintree	Arlington	Chelsea	Revere	Burlington
Sale Date	Proposed 100 Room	05/09/2005	02/14/2001	03/14/2000	11/16/1999	11/03/1999	07/15/1999	04/27/1999	3/23/1999
Sale Price	Hotel (current price)	\$1,213,220	\$3,000,000	\$2,900,000	\$1,200,000	\$950,000	\$1,522,000	\$1,900,000	\$2,000,000
Sale Price Per Room		\$10,832	\$16,129	\$17,683	\$11,650	\$9,500	\$8,456	\$9,135	\$13,423
Time adj. (-5 to -10%)	5/15/09	-5%	-10%	-10%	-10%	-10%	-10%	-10%	-10%
Time adj. Price/Unit		\$10,291	\$14,516	\$15,915	\$10,485	\$8,550	\$7,610	\$8,221	\$12,081
<b>Adjustments</b>									
Land Size/Sq. ft.	23,923	174,420	171,103	272,798	83,199	52,010	87,844	124,838	152,024
		-10%	-10%	-15%	-5%	-5%	-5%	-10%	-10%
Location	Davis Square Somerville	Inferior 5%	Superior -25% (Office Park) captive market	Superior -25% (Office Park) captive market	Inferior -5%	Superior 10%	Inferior 30%	Inferior 10%	Superior -25% (Office Park) captive market
No. of Units	100	112	186	164	103	100	180	208	149
		0%	5%	10%	0%	0%	5%	20%	10%
Physical Factors/Topography	Site Costs	0%	5%	5%	5%	0%	0%	0%	5% ledge
Parking, Subject Requires a Garage more expensive		Superior -10%	Superior -10%	Superior -10%	Superior -10%	Similar 0%	Superior -10%	Superior -10%	Superior -10%
Net Adjustment		-15%	-35%	-35%	-15%	5%	20%	10%	-30%
Indicated Value Per Room		\$8,747	\$9,435	\$10,345	\$8,913	\$8,978	\$9,132	\$9,043	\$8,456
Average Price per Unit	\$9,131								
Best Comps 4.5,6,7	\$9,016								
FINAL UNIT PRICE	\$9,000								
TOTAL VALUE	\$900,000								
Per Per Sq Ft Land	\$37.62								

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adjusting for time or the decline in hotel land prices since the dates of sale. The hotels contain from 100 to 208 rooms.

Downward time adjustments were applied to the land sales to reflect the change in market conditions from the dates of sale to the date of appraisal. In this case a -10% time adjustment was applied to the older sales that occurred between 1999 and 2001 and a -5% time adjustment was applied to one land sale that occurred in mid 2005. The time adjusted land prices range from \$7,610 to \$15,915 per hotel room.

**Sale 1** consists of a level, triangular four acre site located at 112 Donald Lynch Boulevard in Marlborough. The property is generally level and did not require any extraordinary site work. The property was developed with a 112-room Residence Inn. The site is located near the entrance to the Solomon Pond Mall and includes frontage along Route I-495. The property sold in May, 2005 for \$1,213,220 or \$10,832 per room. The time adjusted price is \$9,749 per room.

Comparing this sale with the subject property, downward adjustments were applied to reflect the property's larger land size and surface parking versus garage parking at the subject. This adjustment takes into account the higher costs of constructing a multi-level garage versus surface parking. The sale is not as well located as Davis Square in Somerville, and an upward adjustment was applied to account for its inferior location. The total number of rooms is reasonably similar to the proposed subject hotel. All other factors being equal, smaller hotel projects containing less than 100 rooms typically command higher land prices per room. After applying the adjustments, Land Sale1 indicated a current land value of \$8,747 per room for the subject property.

**Sale 2** consists of a 171,094 sq. ft. irregular-shaped sloping site in Unicorn Park in Woburn. The property was acquired for development of a 186-room Marriott Courtyard Hotel in February, 2001, for \$3,000,000, or \$16,129 per room. The time adjusted price is \$14,516 per room. This property has a superior location being located within an established business park that supports the hotel with panoramic hillside views. This advantage was somewhat offset by the sloping topography of the site, which resulted in significant excavation and the creation of a tiered parking lot. Overall, Land Sale 2 was considered superior to the subject and suggests a current land value of \$9,435 per room for hotel use.

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**Sale 3** is located at 43 Newbury Street, Peabody, and is accessible via the northbound lane of Route 1. The property consists of an irregular shaped parcel that was purchased for the development of a 164-room Spring Hill Suites. The property was acquired in March, 2000 for \$2,900,000 or \$17,683 per room. The time adjusted price is \$15,915 per room. This hotel is supported by nearby office buildings along the Route 1 corridor. In addition to the location adjustment, a downward adjustment was required to reflect surface parking versus the construction of a garage at the subject. The advantages were somewhat offset by more rooms and the comparable's inferior topography and high site development costs. Overall, Land Sale 3 was considered superior to the subject and indicated a current land value of \$10,345 per room.

**Sale 4** is located at 215 Wood Road, Braintree off Route 128. The property consists of a 272,798 sq. ft. site that was acquired for development with a 103-room Limited Service Hotel. The property was purchased in November 1999 for \$1,200,000 or \$11,650 per room. This hotel is locationally inferior to the subject and downward adjustments were applied for land size and parking. Overall, Land Sale 4 indicated a current land value of \$8,913 per room for the subject property.

**Sale 5** is located at 19 Massachusetts Avenue, Arlington, adjacent to the Alewife Brook and Route 16. This property consists of a rectangular shaped 52,010 sq. ft. site that was purchased for development with a 100-room Hawthorne Suites hotel with a garage. The site was improved with two free-standing concrete block structures that were demolished by the buyer. According to the buyer, the site was impacted by soil contamination that required remediation before the site could be developed. The property was purchased in November, 1999 for \$950,000 or \$9,500 per room. The time adjusted price is \$8,550 per room.

Sale 5 is inferior with respect to location, being located outside of Davis Square. Downward adjustments were also required to reflect the property's larger site; however, garage construction was required due to the site's relatively small size. Overall, Sale 6 was considered slightly inferior to the subject and indicated a current land value of \$8,978 per room.

**Sale 6** is located at 203-211 Everett Avenue, Chelsea near the Route 1 southbound ramp and Route 16. This property consists of an irregularly shaped 87,844 sq. ft. site that was acquired for a 180-unit Wyndham Garden Hotel. The purchase price in July, 1999 was \$1,200,000. The buyers were responsible for demolishing a two-story building and remediating the site of hazardous

# **HUNNEMAN**

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waste, the total cost of which amounted to \$322,000. As a result, the total acquisition costs including the \$1,200,000 purchase price plus the \$322,000 demolition and remediation cost was \$1,522,000, or \$8,456 per room. The time adjusted price is \$7,610 per room.

This property is located in a tertiary or secondary market considered locationally inferior to the subject. Sale 7 is comparable, however, with respect to topography and site conditions after adjustments were made for demolition and remediation of hazardous waste. This comparable has the advantage of surface parking which reduced the overall construction costs. An upward adjustment was required for 180 rooms compared to 100 rooms. Sale 6 indicated a current land value of \$9,132 per room.

**Sale 7** is located at 85 American Legion Highway in Revere. This property consists of an irregularly shaped 124,838 sq. ft. site that was acquired for a 208-unit Limited Service Hotel. The purchase price in April, 1999 was \$1,900,000, or \$9,135 per room. The time adjusted price is \$8,221 per room. Downward adjustments were required to reflect the property's larger lot size and surface parking. These adjustments were somewhat offset by more hotel rooms and the inverse relationship between the number of rooms and the price paid per room. The location was considered overall inferior to Davis Square. After applying the adjustments, Land Sale 7 indicated an adjusted unit price of \$9,043 per room for the subject property.

**Sale 8** is located at 130 Middlesex Turnpike in Burlington. This property consists of a 153,024 sq. ft. site that was purchased for the construction of the 149-room Candlewood Inn. The purchase price in March, 1999 was \$2,000,000 or \$13,423 per room. The time adjusted price is \$12,081 per room. Downward adjustments were required to reflect the property's larger lot size and superior location within a lifestyle center supported by office buildings and a large retail plaza. Upward adjustments were applied to reflect more rooms and ledge that increased the site development costs. After applying the adjustments, Land Sale 8 indicated a current land value of \$8,456 per room for the subject property.

The 8 sales indicated adjusted land values ranging from \$8,456 to \$10,345 per room assuming the creation of a 100-room Limited Service Hotel at 44 Day Street. The average unit price is \$9,131 per hotel room. Sales 4, 5, 6 and 7 are the best comparables indicating current land values of \$8,913, \$8,978, \$9,132 and \$9,043 per room, respectively. Sales 5 was considered the



best comparable from the standpoint of location. The average unit price indicated by the most comparable sales is \$9,016 per room.

Based upon an analysis of the sales, the current land value for hotel use indicated by the Sales Comparison Approach is \$9,000 per room. Applying the \$9,000 room price to the 100 rooms indicated a current land value of \$900,000 for hotel use.

**L. Sales Comparison Approach (Commercial Use Assuming a 5,000 Sq. Ft. Building)**

On the following page is a chart entitled "*Commercial Land Sales.*" This is followed by a discussion of the sales and a review of the sales compared to the subject with regard to value in the "*Commercial Land Sales Adjustment Grid*" that follows. A map indicating the location of the sales and pictures of the sales are included on subsequent pages along with a sales adjustment grid. The unit of comparison is price per sq ft of land area and the sales required a time adjustment of 2.5% per year through 2007 when prices leveled off for retail and office sites like the comparables.

Commercial Land Sale 1 – 32 Central Street, Peabody: This sale is located about one-quarter of a mile from the Peabody Central Business District. Community Credit Union approached the owners to acquire the site for a branch bank. A two-story bagel and bakery store in good condition, according to the owners, was demolished and the branch bank constructed. This sale required a downward adjustment for superior location and land size, and upward adjustments for the irregular shape of the parcel and the passage of time.

Commercial Land Sale 2 – 342-350 Broadway (Route 99), Everett: This sale is located about one quarter of a mile north of the Route 99/Route 16 interchange in a residential/commercial area. It is a level rectangular lot which will require demolition of a dwelling for the buyer, a bank, to construct a new building. This sale requires a downward adjustment for superior location and an upward adjustment for the passage of time.

Commercial Land Sale 3 – 2 Haven and 7 Chute Streets, Reading: This is an assemblage of two parcels located at the edge of the downtown Reading commercial district and opposite the train station. A two-story hardware store and convenience store were demolished and a 3-story retail/office condominium building was constructed with parking located on the rear half of the

# COMMERCIAL LAND SALES

Sale No.	Location	Grantor/Grantee	Land Area (SF)	Sale Date	Sale Price	Sale Price Per SF Land Area	Time Adjusted Per SF Land Area (2.5% Per Year)	FAR SF	Price Per FAR SF	Time Adjusted Price Per FAR SF (2.5% Per Year)	Comments
1	32 Central Street, Peabody	Paninos & Goulbs Realty Trust/Community Credit Union	15,682	6/15/2005	\$850,000	\$54.20	\$57.66	6,606	\$128.67	\$136.87	Bank approached seller because looking for site. Two-story building was on-site, bagel store and bakery. Existing building was in good condition, bank demolished and built new building. <b>Actual built 6,606 SF.</b>
2	342-350 Broadway, Everett	RSR Enterprises LLC/Eagle Bank	20,529	6/6/2007	\$1,275,000	\$62.11	\$62.88	41,058	\$31.05	\$31.44	Residential building to be demolished. <b>Potential FAR 41,058 SF.</b>
3A	2 Haven Street, Reading	John R. Horgan/True Value Realty Trust	3,870	4/29/2004	\$605,000	See Total - 3C		See 3C			This is one sale in two site assemblage. Assemblage for 3-story retail/office condominiums.
3B	7 Chute Street, Reading	Johnson Farm Supply Inc./True Value Realty Trust	12,489	4/30/2004	\$1,001,000	See Total - 3C		See 3C			See comment above.
3C	2 Haven Street & 7 Chute, Street, Reading	See Sales #3A & #3B	16,359	See # 3 A & 3B	\$1,606,000	\$98.17	\$107.70	32,718	\$49.09	\$53.85	Assemblage. <b>Built to potential FAR of 2.0.</b>
4	11 Smith Place, Cambridge	Martha & Joseph Barrell/Arakelian Cambridge LLC	2,838	11/3/2006	\$325,000	\$114.52	\$117.62	4,257	\$76.34	\$78.42	Purchased by owner of abutting office building at 691 Concord Avenue. Small office building on site, demolished to provide additional parking.
5	243 Salem Street (Rt. 60), Medford	Mario J. Nova/East Cambridge Savings Bank	10,672	8/16/2005	\$800,000	\$74.96	\$79.41	3,735	\$214.19	\$226.91	Broker approached seller. Corner location, retail building demolished. Branch bank constructed. <b>Actual SF built - 3,735 SF.</b>
6	2480-2482 Massachusetts Avenue, Cambridge	DLK RT/VLW Realty LLC	11,507	8/5/2004	\$1,100,000	\$95.59	\$103.80	8,630	\$127.46	\$138.41	Dunkin Donuts constructed on site in 2005. <b>Actual SF built - 2,262 SF.</b>
	Subject	N.A.	9,100	N.A.							

Average  
 Sales/SF \$83.26  
 Time Adj \$85.28  
 Sales/SF \$88.18  
 Median  
 Sales/SF \$91.61



SALE #1: 32 CENTRAL STREET, PEABODY

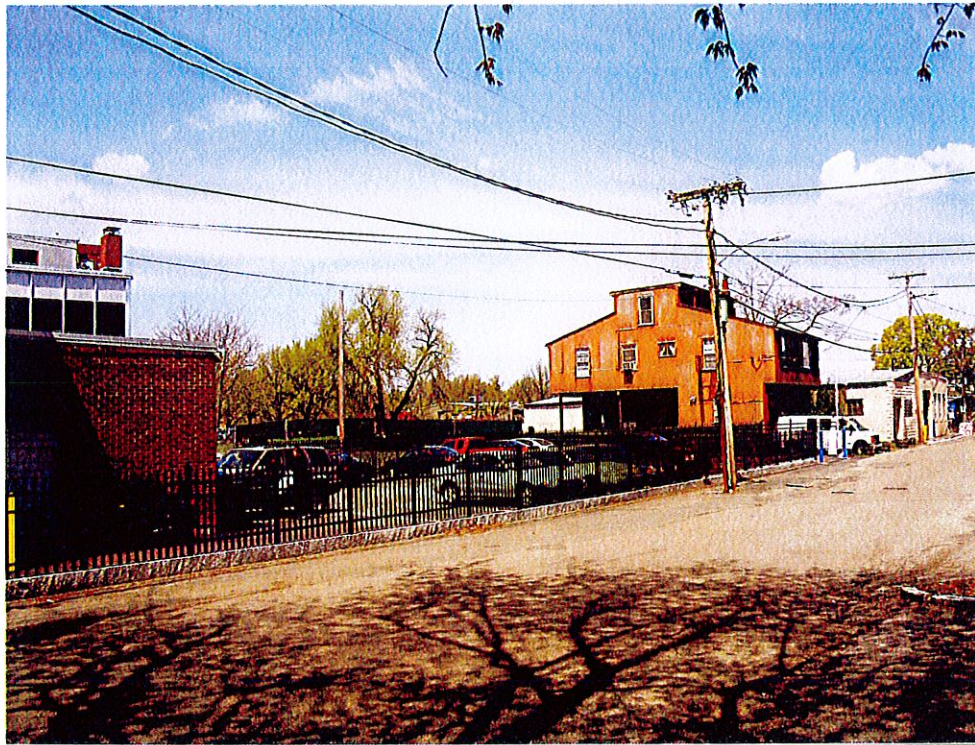


SALE #2: 342-350 BROADWAY, EVERETT





**SALES #3C: 2 HAVEN STREET AND 7 CHUTE STREET, READING**



**SALE #4: 11 SMITH PLACE, CAMBRIDGE**





**SALE #5: 243 SALEM STREET, MEDFORD**



**SALE #6: 2480-2482 MASSACHUSETTS AVENUE, CAMBRIDGE**

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ground floor. An upward adjustment for the passage of time and a substantial downward adjustment for superior location and smaller size were made.

Commercial Land Sale 4 – 11 Smith Place, Cambridge: This is a small parcel that was purchased by the owners of the office building to the rear of the site at 91 Concord Avenue. Due to the very small size of the parcel, it has not been compared to the subject.

Commercial Land Sale 5 – 243 Salem Street, Medford: This corner location is on Route 60 and is midway between I-93 and Route 28. A small retail store was demolished and a branch bank constructed. This sale requires downward adjustments for superior location and the much smaller size of the parcel. In addition, an upward adjustment is made for the passage of time. A downward adjustment was necessary to reflect the difference in land size.

Commercial Land Sale 6 – 2480-2482 Massachusetts Avenue, Cambridge: This regular shaped site is located in a mixed-use area of multi-family and commercial uses. It is on the corner of Edmonds Street and Massachusetts Avenue, approximately .2 mile from Route 16, Alewife Brook Parkway. Downward adjustments are made for the superior location and land size. Upward adjustments are made for the irregular shape of the parcel, parcel size and the passage of time.





### MAP SHOWING COMMERCIAL LAND SALES

After making the necessary adjustments, the commercial land sales indicated the following value parameters.

Range:	\$39.71 – \$41.52	per sq ft of land
Average:	\$40.03	per sq ft of land
Conclusion:	\$40.00	per sq ft of land



**COMMERCIAL LAND SALES ADJUSTMENT GRID**  
**SUBJECT LAND AREA: 23.923**

	Sale No. 1 32 Central Street Peabody	Sale No. 2 342-350 Broadway Everett	Sale No. 3 2 Haven & 7 Chute Streets Reading	Sale No. 5 243 Salem Street Medford	Sale No. 6 2480-2482 Massachusetts Avenue Cambridge
Sale Price	\$850,000	\$1,275,000	\$1,606,000	\$800,000	\$1,100,000
Sale Date	06/15/2005	06/08/2007	04/30/2004	08/16/2005	08/05/2004
Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Terms of Sale (Fin.)	Normal	Normal	Normal	Normal	Normal
Adjustment	\$0	\$0	\$0	\$0	\$0
Square Feet	15,682	20,529	16,359	10,672	11,507
Sale Price Per SF	\$54.20	\$62.11	\$98.17	\$74.96	\$95.59
Conditions of Sale	Normal	Normal	Normal	Normal	Normal
Adjustment	\$0	\$0	\$0	\$0	\$0
Adjusted Price Per SF	\$54.20	\$62.11	\$98.17	\$74.96	\$95.59
Time Adjusted Sales					
Price Per SF	\$57.66	\$62.88	\$107.70	\$79.41	\$103.80
Location	Superior	Superior	Superior	Superior	Superior
Adjustment	-\$11.53	-\$22.01	-\$53.85	-\$19.85	-\$41.52
Land Shape	Slightly Irregular	Equal	Equal	Equal	Slightly Irregular
Adjustment	\$2.88	\$0.00	\$0	\$0	\$5.19
Topography	Equal	Equal	Equal	Equal	Equal
Adjustment	\$0.00	\$0.00	\$0	\$0.00	\$0
Land Size	15,682	20,529	16,359	10,672	11,507
Adjustment	-\$8.64	\$0.00	-\$16.16	-\$19.85	-\$25.95
Total Adjustments:	-\$17.29	-\$22.01	-\$70.01	-\$39.71	-\$62.28
Total Adjustments: Price Per SF	\$40.37	\$40.87	\$37.70	\$39.71	\$41.52
Total % Adjustments	-15.0%	-35.0%	-65.0%	-50.0%	-60.0%
Average:	\$40.03				
Final Unit Price	\$40.00				

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Thus, the final land value is \$40.00 per sq. ft of land area assuming the site was purchased for a 5,000 sq. ft. building allowed by right in the CBD Zoning District. Applying the \$40 per sq ft unit price to the subject lot indicates the following land value.

$$23,923 \text{ sq. ft.} \times \$40.00 \text{ per sq. ft.} = \$956,920$$

$$\text{Rounded} = \$955,000$$

**M. Reconciliation and Final Value Estimate**

The purpose of this section of the report is to develop the different value indicators using the various appraisal methods into a final estimate of market value. The values indicated by the Income Capitalization Approach and the Sales Comparison Approach are as follows:

Income Approach – Parking Use	\$835,000
Hotel Development	\$900,000
Commercial Use	\$955,000

The Income Capitalization Approach was used to value the property for its current use as a parking lot. This approach provided a current use value of \$835,000. The Sales Comparison Approach was also used to estimate a current land value for a 100-room hotel. The hotel land sales indicated a current land value of \$900,000.

The Sales Comparison Approach was used to estimate the value of the property assuming development with a small commercial building. The most likely uses, allowed by right, include a small office, medical office building or clinic or a small retail building containing up to 5,000 sq. ft. of gross building area. The Sales Comparison Approach indicated a current land value, for commercial uses, of \$955,000.

In this case, the most reliable indication of value is \$900,000 for the construction of a 100-room hotel; a use desired by the City of Somerville and for which there is a demand. The parking lot value is lower than the hotel land value but provided the appraiser with an “as is” value for the property.

The commercial land sales value of \$955,000 is somewhat higher than the hotel land value of \$900,000. However, the commercial land sales range from approximately \$54 to \$98 per sq. ft. of land area, and the wide range of sq. ft. prices, coupled with the required adjustments, renders the commercial land sales less reliable than the hotel comparables. The hotel land sales indicated adjusted unit prices ranging from \$8,978 to \$10,345 per room and the majority of land sales range from approximately \$8,500 to \$9,450 per room. Due to the relatively narrow range of adjusted land values per room, the most reliable value is \$900,000 for hotel development.

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Therefore, as a result of the facts and analyses contained in the attached report, it is my opinion that the market value of the Fee Simple Interest in the subject property for hotel development, as described herein as of May 15, 2009, was:

**\$900,000**

**(NINE HUNDRED THOUSAND DOLLARS)**

## **ADDENDA**

**Assumptions and Limiting Conditions**

In order to highlight the frame of reference in which this appraisal was made, the most significant assumptions and limiting conditions are listed below. Additional discussion or amplification may be included in the following sections of the report.

1. This appraisal is based upon the condition of the National and Regional Economies, the purchasing power of the dollar and financing rates prevailing as of the effective date of appraisal.
2. This report expresses the opinion of the signer as to the market value of the subject property as of May 15, 2009, and has in no way been contingent upon the reporting of a specified value nor of any finding to be reported.
3. No responsibility is assumed for matters legal in nature nor is this report to be construed as rendering an opinion of title which is assumed to be good.
4. The subject property has been appraised as though fully merchantable and under responsible ownership without regard to existing encumbrances, if any, such as tax liens, mechanic's liens, mortgages, etc., except as noted herein.
5. Areas and dimensions stated in this report are based upon the appraiser's measurements as well as upon plot plans, legal descriptions, and building plans provided by the Assessors' Office, client, property owner, and/or Registry of Deeds and are considered authoritative for the purpose of this report.
6. The exhibits included with this report are intended to provide visual assistance to the reader and were prepared by the appraiser for illustrative purposes only.
7. The appraiser made no survey of the property and assumes that there are no hidden or unapparent conditions of the property, subsoil or structures which would make them more or less valuable. The appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
8. The execution of this appraisal does not obligate the appraiser to give court testimony. If this is necessary, a separate agreement covering additional time and material expense incurred by the appraiser in preparing for and delivery of that service will be required.
9. Possession of a copy of this report does not carry with it the right of publication nor may it be used for any purpose by anyone but the client without the previous written consent of the appraiser. If consent is granted, the report must be used in its entirety.

10. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation.
11. Disclosure by the appraiser of the contents of this appraisal report is subject to review in accordance with the by-laws and regulations of the professional appraisal organizations with which the appraiser is affiliated.
12. All facts set forth in this report are true and accurate to the best of the appraiser's knowledge. Information furnished by others is believed to be reliable but is not guaranteed.
13. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of asbestos insulations, lead paint and/or the existence of toxic waste, which may or may not be present on the property, was not observed by the appraiser; nor do I have any independent knowledge of the existence of such materials on or in the property. I have not been provided with a site assessment report and have also not performed comprehensive independent investigations regarding the presence of toxic waste, asbestos, etc. The appraiser, however, is not qualified to detect such substances. The appraiser urges the client to retain an expert in this field if desired.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of this act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible noncompliance with the requirements of ADA in estimating the value of the subject property.
16. The descriptive information in this report was based upon public records and my inspection. It was beyond the scope of this appraisal to retain an architect or an engineer to render drawings for a proposed hotel. Based upon the dimensional regulations in the CBD Zone, and subject to receiving a Special Permit, I estimated that the subject lot



could accommodate a Limited Service Hotel consisting of a four-story building containing 100 rooms with an underground parking garage.

17. The appraiser was instructed to value the property based upon the dimensional regulations and the other land use controls that govern the development of properties located in the Central Business District. Hotels and motels in the CBD Zone require a Special Permit with Design Review if less than 10,000 sq. ft., and if over 10,000 sq. ft. require a Special Permit and a Site Plan Review. I assumed a Special Permit could be obtained from the City of Somerville for a 100-Room Limited Service Hotel as long as the hotel conforms to the dimensional requirements and the FAR limits in the CBD Zoning District.

**Subject Property Photographs**

**44 Day Street Parking Lot, Somerville, MA**



**View of 44 Day Street Parking Lot**

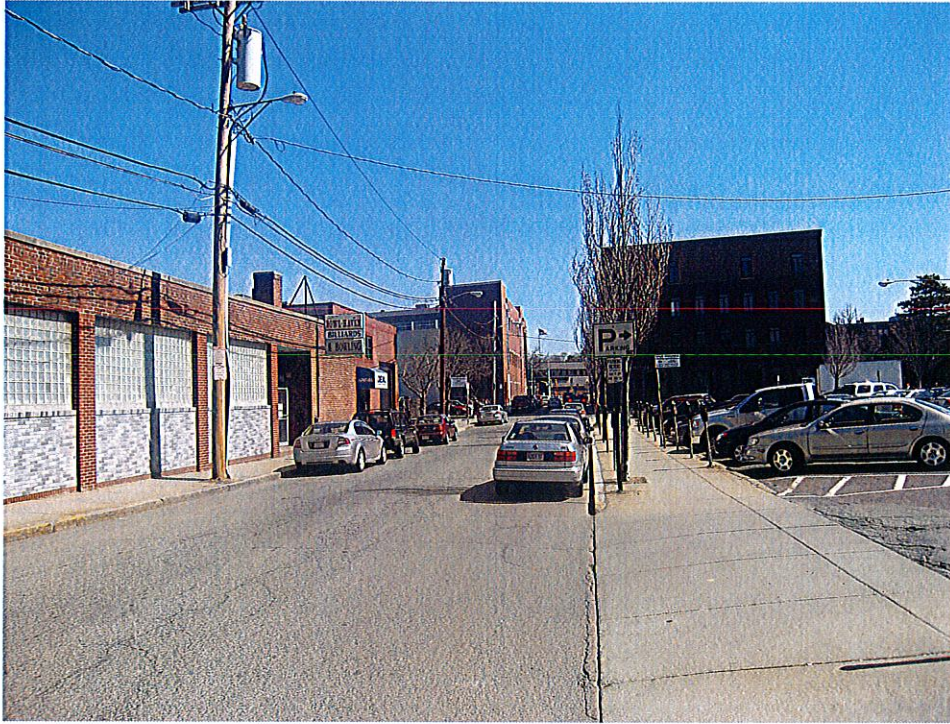


**View of 44 Day Street Parking Lot**



**Subject Property Photographs**

**44 Day Street Parking Lot, Somerville, MA**



**View of Day Street**

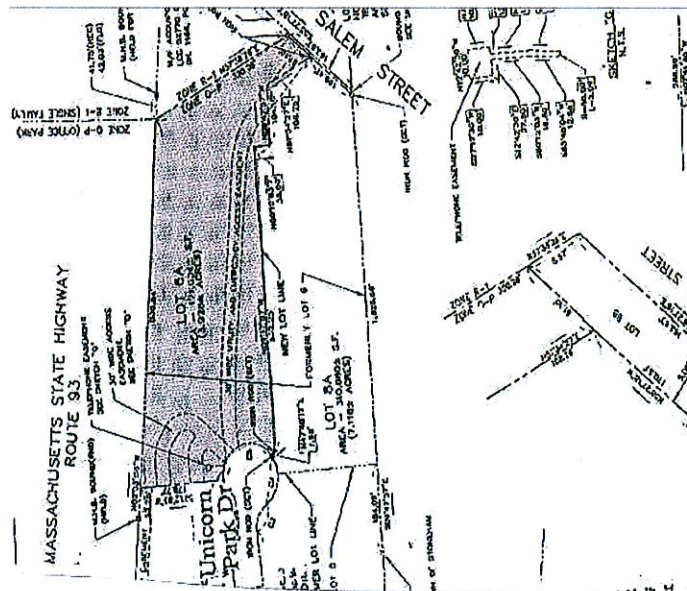
Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 1-112 Donald Lynch Boulevard, Marlborough

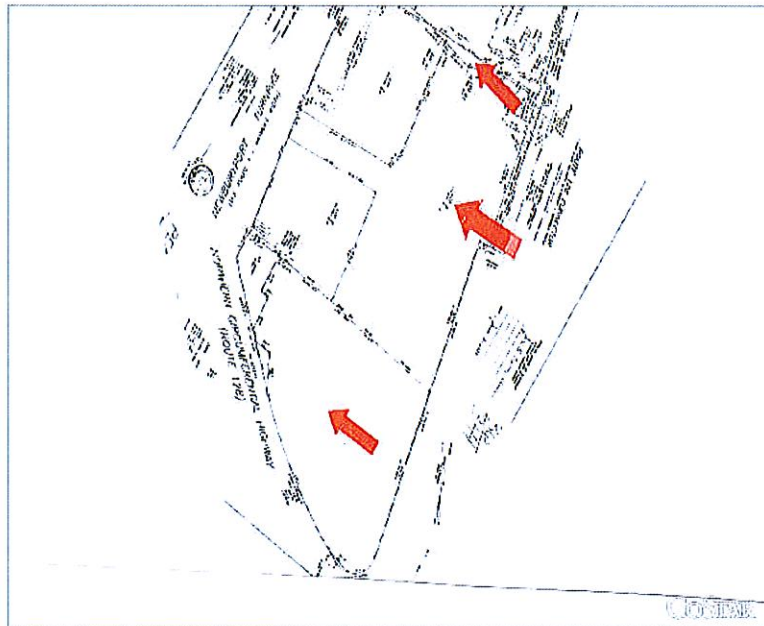


Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 2- 700 Unicorn Park Drive, Woburn

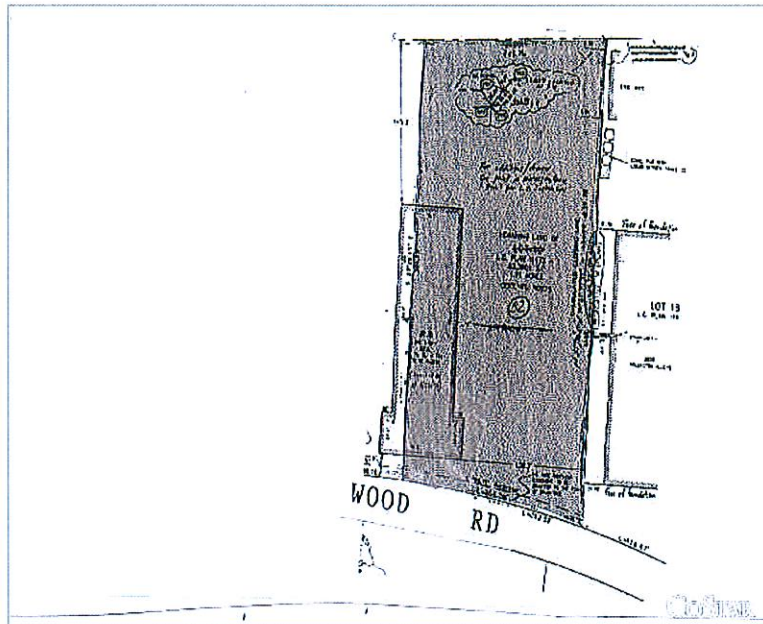
Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 3- 43 Newbury Street, Peabody



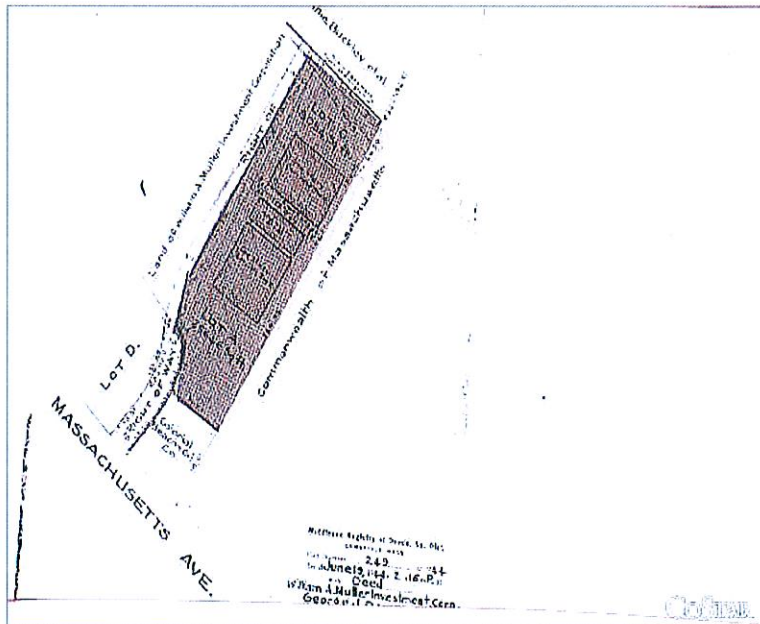
Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 4- 215 Wood Road, Braintree

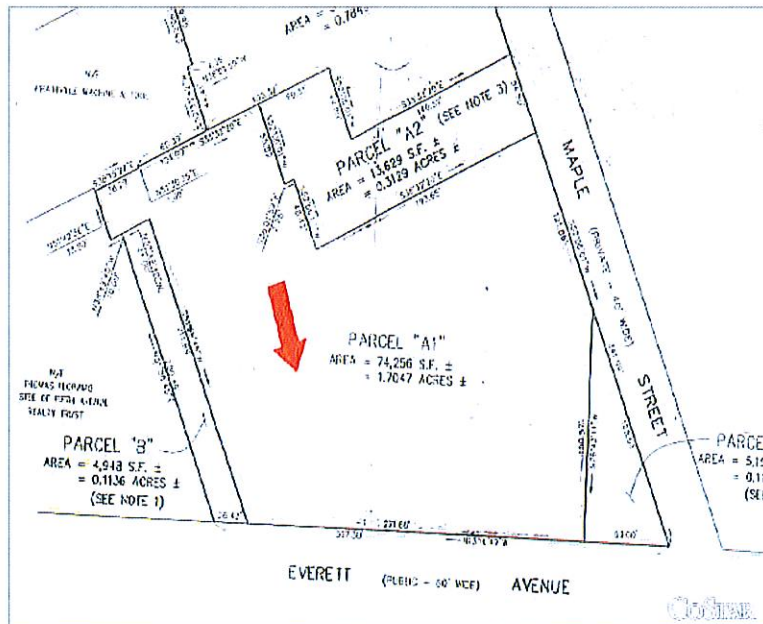


Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 5- 19 Massachusetts Avenue, Arlington

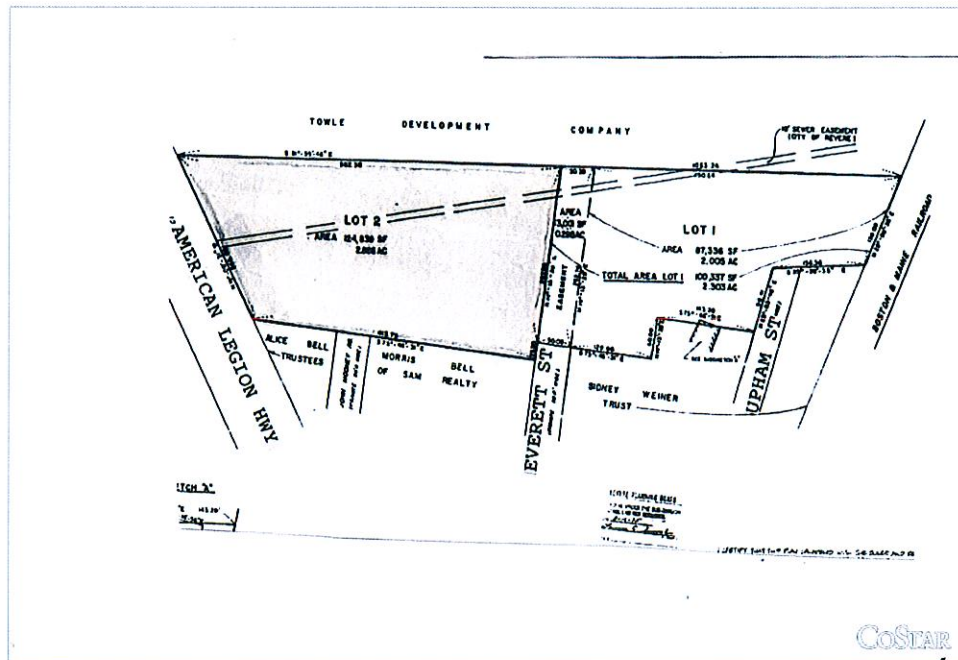
Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



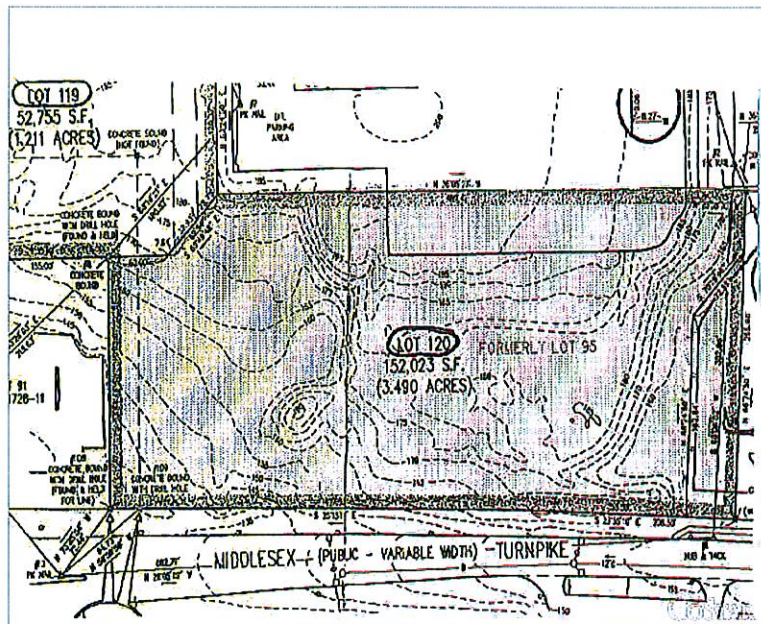
Sale 6- 203-211 Everett Avenue, Chelsea



Comparable Hotel Land Sales  
44 Day Street  
Somerville, MA



Sale 7- 85 American Legion Highway, Revere



Sale 8- 120 Middlesex Turnpike, Burlington

**QUALIFICATIONS OF WALTER H. PENNELL, MAI, CRE**

**Education**

Graduate of Northeastern University, Boston Massachusetts, with Bachelor of Science Degree in 1977.

**Professional Organizations and Trade Affiliations**

Member, Counselors of Real Estate (CRE)  
Member, Appraisal Institute (MAI; SRA);  
Completed requirements of Continuing Education Program of the Appraisal Institute.  
Licensed Real Estate Broker, Commonwealth of Massachusetts  
Certified General Appraiser, Massachusetts, License No. 386

**Professional Appraisal and Consulting Experience**

**Senior Vice President**  
**Hunneman Appraisal & Consulting Company** **December, 1983 to Present**  
**Boston, MA**

Mr. Pennell was promoted to Senior Vice President of Hunneman Appraisal and Consulting Company in 2004. Mr. Pennell's appraisal experience covers a 30+ year period beginning in 1977 and recent appraisal and consulting experience involved marketability/feasibility studies, highest and best use analyses, arbitration disputes, litigation support and other real estate counseling assignments that were completed for acquisition, disposition, condemnation, city planning, assessment equalization, corporate decision making, probate, estate planning, mortgage financing and reuse purposes. Mr. Pennell has appraised or acts as a consultant for a variety of properties including apartment complexes, condominium developments, multi-family land, residential subdivisions, retail plazas and pharmacy buildings, restaurants, office buildings and office parks and special purpose properties including hotels, schools, hospitals, church and convents, automobile dealerships, self storage facilities, nursing homes and assisted/elder care facilities.

**A representative list of major assignments over the past 25 years follows:**

- Highest and Best Use and Consulting study of the former Metropolitan State Hospital located in Lexington, Waltham and Belmont, a 300 acre site improved with 900,000 sq. ft. of vacant hospital space to be sold based on several master plans and re-use studies required under a state mandated RFP
- Assisted with the appraisals of 250+ improved and vacant parcels in East Boston, South Boston and the North Station relating to the Central Artery/Tunnel project. Included air rights valuation adjacent to the Fleet Center and former Boston Garden property.
- Multiple property portfolio assignments involving highest and best use and consulting studies, land residual analyses, and course of action recommendations conducted for Verizon, Emerson College, Boston University, and Boston College.
- Approved and potential residential subdivisions throughout Eastern and Central Massachusetts
- Numerous appraisal and consulting assignments involving contaminated residential, commercial and industrial properties
- Consulting assignments involving underutilized mill buildings, former hospitals including Malden Hospital and Symmes Hospital and conversion studies of various nursing homes, assisted living facilities and CCRC (continuing care retirement communities).
- Commercial and industrial properties for the Boston Convention and Exhibition Center. Eminent Domain taking appraisal in conjunction with the Central Artery Project including the valuation of air rights.
- Marketability and feasibility studies involving various multi-family properties to be converted from apartments into condominiums or new condominium construction along the Boston Waterfront in the 1980's under for the Federal Home Loan Board under their R-41-C appraisal requirements.
- Hotel properties including Hyatt Regency, Sonesta and Marriott in Cambridge, The Tremont House in Boston and the Holiday Inn, Newton
- Numerous restaurant appraisals throughout Massachusetts and have written several published restaurant articles.
- Arbitrator or third appraiser required under purchase options and re-lease agreements.



**Court Testimony**

Federal Bankruptcy Court  
Superior Court, Suffolk County  
Middlesex Land Court  
Appellate Tax Board, Commonwealth of Massachusetts  
Probate Court, Norfolk County

**Four Year Court Testimony / Pre Trial / Depositions**

General Electric Corporation Vs Everett Board of Assessors - Appellate Tax Board,  
Commonwealth of Massachusetts  
(Retained by General Electric regarding ongoing real estate abatement involving 40.5 acre  
contaminated site ATB Hearing Scheduled September 2007)

Mary Ann Morse Health Care Corporation vs. Framingham Board of Assessors)  
Appellate Tax Board, Commonwealth of Massachusetts (Assisted Living Facility) January 2004/  
January 2005 (Assessment Appeal)

Cacciola vs. Cacciola – Middlesex Superior Court – September 2005  
(Partnership Dispute and allocation of real estate assets comprising 6 Cambridge Apartment  
building totaling 82 units)

Martin and Carol Levin, Et Al Vs JCHE Framingham Elderly, Inc Et AL  
Middlesex Land Court  
Affidavit of Walter H. Pennell October 2005  
(Proposed elderly housing development represented Defendants regarding diminution in value  
claim brought by the abutters)

Tishman Speyer Property L.P Vs the Chofaro Company (Bankruptcy proceedings one of several  
appraisers retained on behalf of Plaintiffs May 2004 for the Federal Bankruptcy Court)

**Prior Employment History**

**Com/Fed Appraisal Services, Inc.**  
**Lowell, MA**  
**Appraiser**

**May, 1983 - December, 1983**

Appraisal of condominiums, single-family and multi-family homes as part of the residential mortgage lending operations of Eastern Mortgage Company and Commonwealth Federal Savings. Review of all appraisals to insure the accuracy, validity and equity of the three approaches to value before sales to the secondary mortgage market.

**Bureau of Local Assessment**  
**Massachusetts Department of Revenue**  
**Appraisal Supervisor**

**July, 1981 - May 1983**

Supervisor of Certification Review Team; reviewed assessments in more than 60 communities throughout Massachusetts; responsible for crew assignments; organized and reported team findings to assessors and the Bureau of Local Assessment Commissioner and corrective action for various reevaluation companies employing various mass appraisal techniques including the Cost Approach and Multiple Regression.

Responsible for certification process and review of Mass revaluation pursuant to Chapter 797 of the Acts of 1979; Project Monitor of state-mandated revaluation of contracts, ultimately responsible for final value estimates.

**Patten Appraisal Association**  
**Portland, Maine**

**January, 1980 - June 1981**

**Commercial & Industrial Supervisor (Reevaluation of various New England Communities including Lexington Massachusetts in 1981)**

**Cole-Layer-Trumble/United Appraisal**  
**Dayton, Ohio**  
**Residential Supervisor**

**August, 1977 - December, 1979**

Review multiple regressions, market and cost revaluation programs. Conduct training of field personnel in listing and analyzing of market data. Interpret assessment estimates to commercial and residential property owners in Massachusetts, New Hampshire, Maine and Connecticut.

**REPRESENTATIVE LIST OF CLIENTS**

<b>Public</b>	<b>Private</b>	<b>Institutional</b>
Central Artery/Tunnel Project	Baron & Stadfeld	Boston Architectural Center
City of Boston, MA	Blue Cross/Blue Shield	Boston University
Cambridge Redevelopment Authority	Bolt, Beranek & Newman	Emerson College
City of Lawrence, MA	Boston Scientific Corp.	Boston College
City of Lynn, MA	Browning Ferris Industries	Houston Casualty Co.
City of Somerville, MA	Sullivan and Worcester, LLP	Sisters of St. Joseph
Commonwealth of Mass., Highway Dept.	Fiduciary Trust Company	Hallmark Health
Commonwealth of Mass., Dept. of Environmental Management	Goodwin, Proctor & Hoar	Lahey Clinic
Commonwealth of Mass., Dept. of Food and Agriculture	Tishman Speyer Properties	State Street Bank
General Services Administration	GTE	Bank of Boston
Mass. Bay Transportation Authority	Harvard Community Health Plan	Century Bank
The Trust for Public Lands	Midland Ross Corp.	Boston Private Bank
	Morrison, Mahoney & Miller	Cambridge Savings
	National Forge Company	Aetna Investment Group
	Peabody & Arnold	Berkshire Mortgage Finance Corp.
Town of Hingham, MA	Raytheon	
Town of Maynard, MA	VERIZON	Kemper Insurance Company
City of Chelsea, MA	Sherburne, Powers & Needham	
Town of Easton, MA	Hill & Barlow	
City of Beverly, MA	Nutter, McClennen and Fish, LLP	
Town of Hull, MA	Foley, Hoag LLP	
Town of Norwell, MA	Fine Hotels	
Town of Arlington, MA	U.S. Generating Co.	
	Spaulding & Slye/Colliers	
	Goulston & Storrs	
	Bernkopf, Goodman & Baseman	
	A.W. Perry, Inc.	
	Texas Instruments	